

North America IT & Technology Sectors

A Company and Industry Analysis

April 2010

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Current Environment — Key Points

- US PC shipment growth was largely driven by low-priced consumer portable PCs, both regular notebooks and netbooks. Buyers remained extremely price sensitive over portable PCs.
- Leading IT stocks except for Dell rebounded, with the NASDAQ composite index rising 13.68% in the six months from September 1, 2009, to February 26, 2010.
- A recovery in the economy meant that 2009 ended better than it began for the M&A market. In the last few months of 2009, the M&A market built up some momentum.
- Canadian PC shipments showed strong year-on-year improvement in the fourth quarter of 2009, thanks to returning consumer confidence.
- Returning confidence among investors and consumers, following the gradual comeback of the US stock market, brought overall growth to Canadian IT stocks.

Industry Profile — Key Points

- A strong focus on inventories throughout the supply chain mitigated the effects of the worldwide economic downturn, and positioned the industry for growth as the global economy recovered.
- Worldwide semiconductor sales totaled US\$22.5 billion in January 2010, an increase of 47.2% compared with the year-earlier level.
- Industrial funding of R&D in the US was an estimated US\$253.1 billion in 2009, a 5.5% decline from 2008.
- Most of the financial trauma from the economic recession appears to be over, and growth for both the general economy and the R&D community seems likely for the near future.
- In 2009, Canada's ICT sector's R&D expenditure totaled US\$6.2 billion, an increase of 2.5% from the year before. Other than a minor decrease in 2007, ICT R&D expenditure has been growing constantly since 2002 and has risen by 17.7% since then.

Market Trends and Outlook — Key Points

- With mobile phones fast becoming powerful online devices, no longer are they merely communication devices to help people stay connected via voice calls, but have become the way people organize their lives, from managing finances, connecting with friends, purchasing products to social network sharing.
- With the growing warning signs about global warming, many organizations are researching ways of implementing green technology so that they can contribute to helping the environment, while reducing the cost of operations.
- Smartphones are fast becoming a worldwide hit, with sales growing tremendously. Smartphones such as iPhones from Apple and RIM's BlackBerry allow consumers to surf the internet, play music, watch video, check email and take pictures.
- The popularity of netbooks helped computer makers shore up their sales through the recession but, as the market recovers, another category of laptops — the ultra portable tablet — might affect sales of netbooks.



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Current Environment

United States



Sector Overview

Solid holiday sales of computer equipment and IT in the midst of returning consumer confidence and the gradual recovery of the US economy prevented 2009 from ending on a sour note. The positive figures for US PC shipments, which were up 25% in the fourth quarter of 2009, and 6% for the entire year, was a sharp contrast to the doom and gloom expected earlier in the recession. As 2009 fourth quarter PC sales picked up, even Dell (NASDAQ: DELL), which had a significant drop in market share earlier in 2009, managed a slight increase in unit shipments. HP moved into the top sales spot in the US, while Dell took a hit worldwide, being bumped out of the number two spot by Acer Inc (TWN: 2352).

US PC shipment growth was largely driven by low-priced consumer portable PCs, both regular notebooks and netbooks. Buyers remained extremely price sensitive over portable PCs, with the pricing issue dragging on through the recession. More consumers preferred low-priced PCs, resulting in some manufacturers offering huge price cuts to lure consumers, aiming to profit through higher unit sales. Netbooks made up about 20% of consumer laptops shipped in the fourth quarter, and computer makers cut prices for regular laptops even further while increasing their marketing efforts. At the same time, US shoppers started feeling better about the economy, leading to a shift in sentiment that helped lighten the mood for retail sales generally.

In the last quarter of 2009, Hewlett-Packard Co's (HP) (NYSE: HPQ) US PC shipments were up 45.5%, and HP ended 2009 with a 15% growth in unit shipments,

according to US Information Technology Industry Statistics (ITIC). Although Dell Inc recorded a small growth in shipments of 5.3% for the fourth quarter, shipments finished the year down 11.3%. However, Taiwan's Acer and Japan's Toshiba Corp (TSE: 6502) saw huge gains in the fourth quarter, with shipment gains of 33.4% and 71.1%, respectively. Acer, most well known for its line of inexpensive netbooks, established itself in the number three spot in the US, while Toshiba pushed past Apple to grab the number four spot in the fourth quarter.

Although overtaken by Toshiba, Apple (NASDAQ: AAPL) enjoyed solid PC shipments in the last quarter of 2009, more than 1.5 million units, or a 31% increase from the last quarter of 2008. Apple was able to command premium pricing for its products throughout the economic downturn, keeping its profits intact. In addition, Apple does not have much presence in the professional market, so avoided the negative impact from this segment. Most of Apple's growth came from the consumer market, where its brand name is already strongly established.

The Semiconductor Industry Association (SIA) estimates worldwide semiconductor sales in 2009 totaled US\$226.3 billion, a decline of 9% from 2008, when sales were US\$248.6 billion. Healthy demand from a variety of end markets, including PCs, cell phones, and consumer electronics, supported semiconductor sales in the final quarter of 2009. However, sales in the US and the Asia-Pacific, which rose 25.9% and 12.9%, respectively, in the fourth quarter of 2009, helped balance the poor

Table 1: US PC Shipments for the Fourth Quarter of 2009 and 2008 (in thousands of units):

Company	4Q 2009 Shipments	4Q 2009 Market Share	4Q 2008 Shipments	4Q 2008 Market Share	Growth
HP	6,047	29.2%	4,166	25.0%	45.1%
Dell	4,622	22.4%	4,391	26.3%	5.3%
Apple	1,523	7.4%	1,163	7.0%	31.0%
Total	12,192	59%	9,720	58.3%	24%

Source: US Information Technology Industry Statistics

Current Environment - United States

Table 2: Six-Month Stock Price Performances of Major US IT Companies

Company	Closing Share Price as of		Total Rise/ Fall	Market Cap
	September 1, 2009	February 26, 2010		
Hewlett-Packard Co	US\$43.87	US\$50.79	15.77%	US\$119.56 billion
International Business Machines (NYSE: IBM)	US\$116.69	US\$127.16	8.97%	US\$166.58 billion
Dell Inc	US\$15.21	US\$13.24	-12.95%	US\$25.89 billion
Microsoft Corp (NASDAQ: MSFT)	US\$24.00	US\$28.67	19.46%	US\$251.45 billion
Intel Corp (NASDAQ: INTC)	US\$19.72	US\$20.53	4.11%	US\$113.37 billion
Ingram Micro Inc (NYSE: IM)	US\$16.34	US\$17.70	8.32%	US\$2.9 billion
Oracle Corporation (NASDAQ: ORCL)	US\$21.94	US\$24.65	12.35	US\$123.18 billion
Cisco Systems Inc (NASDAQ: CSCO)	US\$21.17	US\$24.40	15.26%	US\$139.96 billion
Apple Inc	US\$165.30	US\$204.62	23.79%	US\$185.55 billion
Tech Data Corp (NASDAQ: TECD)	US\$37.66	US\$42.84	13.75%	US\$2.18 billion
Total Market Capitalization				US\$1,130.62 billion

Source: NYSE and NASDAQ

performances in the first half of 2009, and eventually led to a smaller sales decline than earlier estimated.

Sector Performance

In the six months from September 1, 2009, to February 26, 2010, the NASDAQ composite index rose 13.68%, from 1,968.89 to 2,238.26. Although the rise was very different from the more than 50% surge recorded in the previous six months, it indicated that the huge fluctuations of index and prices in the tech market had ended, and that the market was stabilizing. With the NASDAQ up, leading US IT companies saw generally positive performances in their stock prices over the six months.

The exception was Dell, the only leading US IT company to suffer a fall in its share price over the six months, from US\$15.21 to US\$13.24. However, considering the share price performances over the 12 months, when the economy was in the midst of the recession, the ten leading US IT companies enjoyed a positive year. The total market capitalization of the IT companies analyzed by Mergent reflected the recovery of the US economy; it increased

by 19.48% to US\$1,130.62 billion on February 26, 2010, from US\$946.38 billion on August 31, 2009.

Leading Companies

Hewlett-Packard Co

HP announced net revenue of US\$31.2 billion in the first quarter ended January 31, 2010, an increase of 8%, or US\$2.4 billion from the same quarter a year earlier. Its operating profit was up 20% to US\$3 billion, with a net profit of US\$2.3 billion, a 25% increase compared with the same quarter in 2009. HP's revenue in the US grew by 9% to US\$13.6 billion in the first quarter of fiscal 2010, accounting for approximately 35% of its global revenue. Its revenue in Europe, the Middle East and Africa declined by 1% to US\$12.1 billion, while its Asia-Pacific revenue increased by 19% from the same quarter a year earlier to US\$5.4 billion. HP's worldwide PC shipments grew by 26% in the last quarter of 2009 to 90 million units, most of which came from stronger notebook sales, with a 26% surge in revenue, while desktops saw a more modest 16% rise in revenue.

Current Environment - United States

IBM

IBM announced revenues of US\$27.2 billion in the fourth quarter of 2009, a 1% increase from the same quarter of 2008. Despite the difficult economic environment, IBM made a net profit of US\$4.8 billion in the fourth quarter, a 9% increase from US\$4.37 billion a year earlier. IBM's revenues for 2009 totaled US\$95.8 billion, a decrease of 8% from US\$103.6 billion in 2008, but net income was US\$13.4 billion, compared with US\$12.3 billion, an increase of 9%. This was the result of IBM's investment in opportunities such as Smarter Planet solutions, cloud computing and advanced analytics. These new capabilities positioned IBM to grow as the economy recovers, as it has established increased operational leverage by creating a globally integrated enterprise that has increased profits.

Dell Inc

Dell announced net revenue of US\$14.9 billion in the fourth quarter (ended January 29, 2010) of its 2010 fiscal year, an increase of 11% from the same quarter a year earlier. Despite improving sales, the gross margin declined to 16.6%, the lowest level in the last eight quarters, and the operating margin fell to 3.4%. Dell's product shipments increased by 16% in the quarter, led by an 18% rise in its small and medium business unit and a 32% year-on-year rise in notebook shipments. The overall performance for Dell in 2009 was marginal if compared to that of HP's, and also due to competition from Lenovo (HKSE: 0992) for China's enterprise customers. In other geographic regions, product offerings by Acer and Samsung (KSE: 005930) have seen strong shipments to the enterprise market, eating into Dell's market share. Asus and Toshiba overtook Dell in consumer notebook shipments in the third quarter of 2009, pushing Dell to fifth in the world.

Microsoft Corp

Microsoft announced revenue of US\$19.02 billion for the second quarter ended December 31, 2009, a 14% increase from the same period a year earlier. Its operating income was US\$8.51 billion, net income US\$6.66 billion, and diluted earnings per share were US\$0.74, increases of 43%, 60% and 57%, respectively, from the prior year period. For the six months ended December 31, 2009, Microsoft reported revenue of US\$31.94 billion, a 0.8% increase from the same period of 2008. Its operating income, net income and diluted earnings per share for the

year were US\$13 billion, US\$10.24 billion and US\$1.14, increases of 9.09%, 19.77% and 21.28%, respectively. Windows 7 and Windows Server 2008 R2, which were launched globally on October 22, 2009, were very much in demand, leading to the positive top-line growth for the company in the second half of the year. In the final quarter of 2009, Microsoft sold over 60 million Windows 7 licenses, making it the fastest selling operating system in history.

Intel Corp

Intel announced fourth quarter 2009 revenue of US\$10.6 billion, operating income of US\$2.5 billion, net profit of US\$2.3 billion and earnings per share of US\$0.40. For fiscal 2009, Intel posted revenue of US\$35.1 billion. The company reported full-year operating income of US\$5.7 billion, net income of US\$4.4 billion and earnings per share of US\$0.77. It generated more than US\$11 billion in cash from operations and paid cash dividends of US\$3.1 billion in 2009. Intel's strategy of investing in industry-leading manufacturing and product innovation in 2009 has generated unprecedented operating efficiencies within the company, leading to strong 2009 results.

Mergers, Acquisitions and Alliances

A substantial recovery in the economy meant that 2009 ended better than it began for the M&A market. In the last few months of 2009, the M&A market built up some momentum, with North American deals valued at US\$115.6 billion in November, the most since September 2008. A surge in technology deals in the latter portion of 2009 gave the IT market some momentum, with 85% of the US\$36 billion in technology M&As coming in the final six months.

Oracle (NASDAQ: ORCL) continued to make purchase after purchase in its ambitious quest to unseat SAP (FSE: SAP; NYSE: SAP) as the world's largest business application maker, and take on rivals IBM, Microsoft and HP and become the world's leading systems provider. Oracle closed its blockbuster, US\$7 billion purchase of Sun Microsystems on January 27, 2010, a move that added hardware to the database and business software giant's business. Following the Sun deal, Oracle also announced the acquisition of AmberPoint, the leading vendor of SOA management solutions, and Convergin, a leading provider of real-time service brokering solutions, on February 8

Current Environment - United States

and February 10, 2010, respectively, but did not reveal the prices paid.

On February 3, 2010, IBM acquired Initiate Systems, a privately held developer of data integrity software applications for the healthcare and government markets. The Chicago-based company's multi-domain master data management (MDM) applications help customers share information, improve data quality and easily access patient and clinical data. With the addition of Initiate's software and its industry expertise, IBM can offer existing or potential clients comprehensive solutions for delivering the information they need to improve the well-being of patients at a lower cost. Financial terms of the deal were not disclosed.

On February 11, 2010, Google Inc (NASDAQ: GOOG) announced the acquisition of social search service Aardvark for around US\$50 million. The deal was Google's sixth since September 2009, as it picks up the pace of acquisitions as the economy recovers. This is the latest sign of Google's interest in the fast-growing social networking market, ruled by companies such as Facebook and Twitter. Following the Aardvark deal, Google announced, on March 1, 2010, that it had acquired, for an undisclosed amount, Picnik.com, a website that allows users to edit and store photos online, and one of the first sites to bring photo editing to the cloud. Picnik allows users to import photos from other services such as Picasa, Flickr and Facebook.

On February 25, 2010, Dell acquired Exanet Ltd, an Israel-based designer of network attached storage systems, for US\$12 million. A consortium of investors, including Evergreen Venture Partners, Intel Capital, Microdent Ventures, Coral Capital Management and CSK Fund (Hitachi), agreed to sell their stakes in Exanet to Dell. The acquisition will allow Dell to start its first research and development (R&D) center in Israel.

Micron Technology (NASDAQ: MU) announced on February 10, 2010, that it had agreed to acquire Intel's former NOR flash division Numonyx for about US\$1.27 billion worth of stock. The agreement will see Micron distribute 140 million of its shares to the three current owners of Numonyx — STMicroelectronics (NYSE: STM), Intel, and private equity firm Francisco Partners. Micron Technology expects the deal to close within three to six months after regulatory review.

Current Environment

Canada



Sector Overview

Canada's real GDP increased by 1.2% in the fourth quarter of 2009, the largest quarterly increase since the third quarter of 2000, as consumer spending continued to grow, especially during the Christmas and New Year holiday season. Canada's final domestic demand was boosted by increases in personal and government expenditure, and investment in residential structures. Export and import volumes both rose for a second consecutive quarter, with growth in exports outpacing that of imports. However, Canada's real GDP fell by 2.6% in 2009, due to lower production, lower exports and lower business investment in plant and equipment in the first half of the year.

Both the ICT sector and the overall Canadian economy trended downward after the third quarter of 2008, but the declines slowed down significantly towards the end of last year. Canada's ICT sector output declined in the third quarter of 2009, down 0.1%, the fourth consecutive drop, but the scale of the decline was marginal in comparison with that in past quarters. Since the third quarter of 2008, the decline of Canada's ICT sector has been less drastic, down 2.2% compared with Canada's 4.1% overall economic contraction.

Canadian PC shipments, however, showed strong year-on-year improvement in the fourth quarter of 2009, thanks to returning consumer confidence, sales of the new Windows 7 operating system, and the continuing popularity of portable PCs. IDC Canada estimates overall Canadian client PC unit shipment of 1.7 million units in the last quarter of 2009, an increase of 8.2% from the same quarter of 2008. Consumers accounted for 61.5% of purchases, with consumer portable volume up 42% year-on-year, compared with a mere 4.4% year-on-year increase in commercial portables shipments. Within the consumer portables segment, netbooks sold like hot cakes, accounting for 27.7% of consumer portables shipped, up from 13% in the same quarter of 2008. Mini notebooks continued to gain a larger foothold in the portables market, accounting for more than 24% of portable PC shipments.

Sector Performance

Returning confidence among investors and consumers towards the Canadian economy, following the gradual comeback of the US stock market, brought an overall positive response from the Toronto Stock Exchange. It

Table 3: Six-Month Stock Price Performances of Major Canadian IT Companies

Company	Closing Share Price as of		Total Rise/ Fall	Market Cap
	September 1, 2009	February 26, 2010		
Celestica Inc (TSX: CLS)	US\$9.39	US\$10.73	14.27%	US\$2.58 billion
Research in Motion Ltd (TSX: RIM)	US\$81.21	US\$74.55	-8.2%	US\$40.19 billion
CGI Group Inc (TSX: GIB.A)	US\$11.39	US\$14.80	29.94%	US\$4.52 billion
MacDonald Dettwiler & Associates Ltd (TSX: MDA)	US\$31.05	US\$39.41	26.92%	US\$1.67 billion
Softchoice Corp (TSX: SO)	US\$6.56	US\$8.70	32.62%	US\$169.93 million
Open Text Corp (TSX: OTC)	US\$38.28	US\$51.59	34.77%	US\$2.80 billion
SMTC Corp (TSX: SMX)	US\$0.65	US\$1.30	100%	US\$18.11 million
Constellation Software Inc (TSX: CSU)	US\$34.99	US\$40.00	14.32%	US\$904.13 million
Zarlink Semiconductor Inc (TSE: ZL)	US\$0.69	US\$1.72	60.94%	US\$200.50 million
Gennum Corp (TSE: GND)	US\$4.63	US\$6.01	29.81%	US\$213.99 million
Market Capitalization				US\$53.27 billion

Source: Toronto Stock Exchange

Current Environment - Canada

gained 8.8%, or 939.85 points, over the six months from September 1, 2009, to close at 11,629.63 points on February 26, 2010, reflecting the fact that the economic crisis had technically passed. Only Research in Motion (TSX: RIM) recorded a share price decline, of 8.2%, to close at US\$74.55, while the other nine leading IT companies analyzed by Mergent enjoyed increases in their share prices. The market capitalization of these ten companies totaled US\$53.27 billion as of February 26, 2010.

Leading Companies

Celestica Inc

For the fourth quarter ended December 31, 2009, global provider of electronics manufacturing services (EMS) Celestica announced revenue of US\$1.66 billion, a decline of US\$270 million from US\$1.935 billion in the same quarter of 2008. Its adjusted net earnings for the quarter were US\$49.5 million, or US\$0.21 per share, compared with US\$65.2 million, or US\$0.28 per share, for the same period the year earlier. Its 2009 revenue totaled US\$6.1 billion, compared with US\$7.68 billion for 2008, with adjusted net earnings totaling US\$158.5 million, or US\$0.69 per share, compared with US\$204.2 million, or US\$0.89 per share for 2008.

The drop in Celestica's revenue and profit clearly reflected weaker end-market demand in 2009. However, the market seemed to be recovering, with Celestica seeing revenues and profits rise, with lower losses than in previous quarters, when the recession was at its peak. Strong operational and financial performances in the fourth quarter were due to Celestica improving its operational effectiveness and cost productivity.

Research in Motion Ltd

Research in Motion Ltd (RIM), a world leader in the mobile communications market and maker of the BlackBerry personal digital assistant, had third quarter (ended November 28, 2009) revenue of US\$3.92 billion, up 11% from US\$3.53 billion in the previous quarter, and up 41% from US\$2.78 billion in the same quarter of the previous year. Its net income for the quarter was US\$628.4 million, compared with US\$475.6 million in the same quarter the previous year.

During the quarter, the company shipped 10.1 million devices and added 4.4 million new BlackBerry subscriber accounts, as higher retail sales of its BlackBerry smartphone

helped drive subscriber growth. This was helped by interest from business executives and consumers worldwide in the newly launched BlackBerry Bold 9700 and Storm2 smartphones, in addition to the popular BlackBerry Curve series of smartphones, which combine email, messaging, social networking, music and entertainment. At the end of the quarter, RIM's BlackBerry subscriber account totaled 36 million, an average addition of two million every month since August 2009.

CGI Group Inc

For fiscal 2009, ended September 30, CGI reported an increase of 3.2% in revenue, from C\$3.71 billion (US\$3.6 billion) the previous year to C\$3.83 billion (US\$3.74 billion). Its net earnings rose 8%, from C\$293.13 million (US\$286.12 million) in fiscal 2008 to C\$316.47 million (US\$308.91 million). CGI reported fiscal 2010 first quarter (ended December 31, 2009) revenue of C\$913.01 million (US\$891.19 million), and net earnings of C\$111.22 million (US\$108.56 million). This represented an 8%, or C\$87.39 million (US\$58.3 million) year-on-year revenue decline, but growth of 39.01%, or C\$31.21 million (US\$30.46 million) in net earnings, compared with the net earnings in the same quarter of 2008 due to a reduction in CGI's long-term debts by half, and an increase in earnings from continuing operations.

In the first quarter of CGI's fiscal 2010, ended December 31, 2009, the company secured C\$1.6 billion (US\$1.56 million) worth of contracts, including a C\$100 million (US\$97.61 million) contract renewal with Yellow Pages Group and a US\$58.1 million contract to serve the US Department of Housing and Urban Development. On January 19, 2010, CGI signed a ten-year blanket purchase agreement (BPA) worth an estimated US\$395 million to provide systems integration, consulting services, and operational support for more than 5,000 of CGI's joint financial management system (JFMS) users in more than 300 worldwide posts and missions.

MacDonald Dettwiler & Associates Ltd

MacDonald, Dettwiler and Associates (MDA), a provider of essential information solutions, reported consolidated revenues for the third quarter ended September 30, 2009, of C\$245.6 million (US\$239.73 million), down from C\$278.28 million (US\$271.63 million) for the same period of 2008. However, net earnings for the quarter rose by 38.27%, from C\$27.82 million (US\$27.16 million) to C\$20.12 million (US\$19.64 million). MDA earned slightly

Current Environment - Canada

less revenue in the third quarter mainly due to lower sales, but still recorded higher net earnings than in the same quarter a year earlier, after it more than doubled cash flow from its operating activities, and reduced its debt by 7%.

On November 20, 2009, MDA signed a contract worth more than C\$200 million (US\$195.22 million) with the Russian Radio Research and Development Institute (NIIR) to provide two advanced technology solutions for the Express AM5 and Express AM6 satellites. Scheduled to launch in 2012, the Express satellites are designed to provide a wide range of broadcasting services, including digital TV, radio broadcasting, multimedia services and mobile communications. Following the C\$200 million (US\$195.22 million) deal, MDA announced, on December 15, 2009, that it had signed a US\$254 million dollar contract to provide a communication satellite system to the National Space Agency of Ukraine (NSAU), financed by Export Development Canada (EDC).

Softchoice Corp

Softchoice, a leading North American provider of technology solutions and services, saw fourth quarter (ended December 31, 2009) revenue drop by 15.25% from the same period of 2008 to US\$283.9 million. However, net earnings for the quarter were US\$7.1 million, or US\$0.39 per share, compared with a net loss of US\$21.9 million for the same period a year earlier. For the full year of 2009, Softchoice reported revenues of US\$1,000.2 million, compared with US\$1,244.3 million the previous year. Net earnings were US\$22.3 million, compared with a loss of US\$14.4 million in 2008.

At the end of the quarter, company debt totaled US\$16.8 million, compared with US\$54.1 million for the same period a year earlier. Softchoice's aggressive focus on cash management, and the substantial cash flow generation capability of its business model, together with reducing the company's debt to US\$16.8 million at the end of the quarter, from US\$54.1 million for the same period a year earlier, led to positive net earning figures.

Mergers, Acquisitions and Alliances

While 2008 saw major Canadian M&A deals take a backseat as the credit crunch had a negative impact on the ICT industry, 2009 was a different story, as several prominent players participated in hefty M&A transactions throughout the year, and into 2010. On August 24, 2009, RIM acquired WebKit solutions developer Torch Mobile, creator of the

Iris web browser for mobile and embedded devices, for an undisclosed amount. RIM will use Torch Mobile's WebKit-based mobile browser expertise to contribute to the ongoing enhancement of the BlackBerry platform.

On January 8, 2010, Celestica announced it had acquired Invec Solutions, a provider of warranty management, repair, and parts management services to companies in the information technology (IT) and consumer electronics markets. The acquisition of the Scotland-based Invec will enhance Celestica's after-market services offering through its proprietary reverse logistics software, which allows customers to view their repair status and inventory information from anywhere in the world using a web browser. This system can be tailored to meet unique customer requirements, and Celestica will integrate Invec's reverse logistics software throughout all of its after-market services locations. This acquisition will also expand Celestica's current global after-market services network to include a UK-based depot and repair screening center for the European market. However, financial terms of the transaction were not disclosed.

Open Text and Nstein Technologies Inc, a leader in digital content management solutions for information-rich organizations, announced on February 22, 2010, a definitive agreement under which Open Text will acquire all of the issued and outstanding common shares of Nstein through an Nstein shareholder-approved amalgamation with a subsidiary of Open Text under the Companies Act (Québec). The transaction is valued at approximately C\$35 million (US\$31.16 million). Open Text's acquisition will enable the company to continue to grow as Canada's largest software company, expanding its presence in Quebec. Nstein will also add complementary technology and expertise that enhances Open Text's ECM solutions portfolio.

Industry Profile

United States



Semiconductor Segment

During 2009, semiconductor sales fell. The Semiconductor Industry Association (SIA) announced worldwide semiconductor sales in 2009 of US\$226.3 billion, a decline of 9% from 2008, when sales totaled US\$248.6 billion. However, 2009 sales surpassed the SIA forecast of US\$219.7 billion after December sales surged 29% to US\$22.4 billion. The combined November and December sales totaled US\$45.1 billion, boosting full year figures, and ending the year on a better-than-expected note for the global semiconductor industry. North America's 2009 semiconductor sales totaled US\$37.22 billion, a decline of 4.5% from 2008's US\$38.98 billion. Despite the drop, SIA's statistics show that fourth quarter North American semiconductor sales were worth US\$11.4 billion, 27% better than the same quarter of 2008's US\$8.98 billion.

A strong focus on inventories throughout the supply chain mitigated the impact of the worldwide economic downturn, and positioned the industry for growth as the global economy recovered. Worldwide semiconductor sales totaled US\$22.5 billion in January 2010, an increase of 47.2% compared with the year-earlier level, according to SIA. The sharp increase reflected an improving overall business environment for the industry, as demand for personal computers, cell phones, automobiles and industrial applications rose. The jump in sales also reflected a favorable year-on-year comparison with worldwide chip sales of US\$15.3 billion in January 2009, when sales bottomed out due to chipmakers and electronics manufacturers responding to the global recession. Year-over-year growth was most significant in Asia-Pacific, where semiconductor sales climbed 69.2% to US\$12.28 billion in January, while sales in the US rose by 48.2% to US\$3.76 billion. Sales were up 29.5% to US\$2.93 billion in Europe and by 9.1% to US\$3.52 billion in Japan. Worldwide semiconductor sales rose 0.3% from November's US\$22.4 billion to US\$22.5 in December 2009.

North American manufacturers of semiconductor equipment had US\$863.3 million in orders in December 2009, a book-to-bill ratio of 1.03, 49.1% higher than the US\$579.1 million in orders posted in December 2008, according to the December 2009 Book-to-Bill Report published by Semiconductor Equipment and Materials International (SEMI). The ratio means that companies received an average of US\$103 worth of orders for

every US\$100 worth of products billed for the month. Semiconductor capital equipment bookings and billings continued their steady growth into December 2009, with the book-to-bill ratio remaining above parity for six consecutive months as the industry increased spending on technology and filled out capacity to produce semiconductor devices. With semiconductor device sales and fabrication (FAB) capacity utilization improving over recent months, semiconductor equipment spending is likely to follow a similar comeback trend in 2010.

Sector Investment

China currently accounts for 10% of Dell's global consumer business and, considering the impact of China's huge buying power and the nation's influence on the company's future, Dell announced in February 2010 its intention to increase its investment in China to ramp up its position in one of the world's fastest growing economies. Dell will roll out more products in China, some of which it will develop in its product design center in Shanghai. Dell will launch smartphones, navigation products and tablet PCs to meet the diversifying demand in the 3G-era China market, but has not released investment figures.

In 2009, Intel Capital, Intel Corp's global investment arm, invested US\$327 million in 107 projects, with 38% of funds invested outside the US and Canada. In February 2010, Intel Capital agreed to work with China Investment Corp (CIC), China's sovereign wealth fund, to invest in global technology innovation. The agreement, which pairs the resources of CIC with Intel's technology expertise, will identify and support strategic investments in pioneering companies across a wide array of technology sectors, including clean technology, software and services, mobility and digital homes.

Intel also announced in February a US\$3.5 billion initiative to support investment in US-based growth-oriented industries, and detailed a commitment to increase significantly the number of jobs available for recent college graduates. The Invest in America Alliance, led by Intel and supported by many leading venture capital firms and Corps, aims to further anchor the nation's competitiveness on the global stage, and to help the ICT sector in the US to recover from the recession sooner. It is the private sector's

Industry Profile - United States

complement to existing state and federal job creation programs through long-term investment in industries and talent poised to produce the next breakthroughs in technology innovation.

The alliance is a two-pronged effort, one being commitments from Intel Capital and 24 leading venture capital firms to invest US\$3.5 billion in US-based technology companies over the next two years. These investments, which include a new, US\$200 million, Intel Capital Invest in America Technology Fund, will target key innovation and growth segments such as clean technology, information technology and biotechnology. Joining Intel in this effort are Advanced Technology Ventures, Braemar Energy Ventures, Bridgescale Partners, Canaan Partners, DCM, Draper Fisher Jurvetson, Flywheel Ventures, Good Energies, Institutional Venture Partners, Investcorp Technology Partners, Khosla Ventures, Kleiner Perkins Caufield & Byers, Menlo Ventures, Mohr Davidow Ventures, New Enterprise Associates, North Bridge Venture Partners, QuestMark Partners, Sevin Rosen Funds, Storm Ventures, Telesoft Partners, Udata Partners, US Venture Partners, Venrock and Walden International.

The second prong involves commitments from 17 technology and other corporate leaders to increase their hiring of college graduates, doubling the rate in some cases, to create the products and provide the services of tomorrow. Companies joining Intel in this pledge are

Accenture (NYSE: ACN), Adobe Systems (NASDAQ: ADBE), Autodesk (NASDAQ: ADSK), Broadcom Corp (NASDAQ: BRCM), CDW, Cisco, Dell, eBay (NASDAQ: EBAY), EMC Corp (NYSE: EMC), General Electric (NYSE: GE), Google, HP, Liberty Mutual Group, Marvell Semiconductor, Microsoft Corp, and Yahoo! (NASDAQ: YHOO).

In March 2010, Microsoft announced a US\$1 billion investment in R&D of its Windows Mobile operating system, silencing rumors that the company would acquire Research in Motion (RIM) or Palm. Microsoft has announced it would market five handsets featuring the recently released Windows Phone 7 mobile platform by the end of 2010. Microsoft also said it would continue the development of its older mobile operating system, Windows Mobile 6.x.

Many analysts see the decision to invest in Windows Mobile, rather than acquire RIM or Palm, as the wiser strategy. Investing in a device manufacturer such as Palm or RIM would mean funding a multi-million, possibly billion, dollar buyout, plus the massive challenge of making new platforms compatible with existing hardware. The industry will measure the success of the Microsoft decision by whether Windows Phone 7 can increase the company's market share of the mobile operating system segment, of which it had 8% in 2009. Although this share is low compared with those of Nokia (47%) or RIM (20%),

Table 4: R&D Spending by US Leading Companies for January to September of 2008 and 2009 (in millions)

Company	January — September 2009	January — September 2008	change
Microsoft	US\$6,617	US\$7,017	-5.7%
IBM	US\$4,360	US\$4,808	-9.3%
Intel	US\$4,050	US\$4,406	-8.1%
Cisco	US\$3,747	US\$4,239	-11.6%
Motorola (NYSE: MOT)	US\$2,390	US\$3,101	-22.9%
Google	US\$2,107	US\$2,060	2.3%
Advanced Micro Devices (NYSE: AMD)	US\$1,289	US\$1,383	-6.8%
Texas Instruments (NYSE: TXN)	US\$1,118	US\$1,509	-25.9%
Apple	US\$1,057	US\$888	19%
Yahoo!	US\$904	US\$943	-4.2%
Total	US\$26,639	US\$30,364	-12.27%

Source: R&D Magazine

Industry Profile - United States

Windows Mobile still ranks higher than Android and Palm.

Research and Development

Most of the financial trauma from the economic recession appears to be over, and growth for both the general economy and the R&D community seems likely for the near future. However, there were relatively meager R&D increases for most advanced economies in the second half of 2009. Industrial funding of R&D in the US was an estimated US\$253.1 billion in 2009, a 5.5% decline from 2008. However, the opinion of leading economic forecasters is that the global economy will be well into recovery in 2010, so R&D funding in 2010 should increase and have a positive impact on future technology growth. R&D Magazine estimates R&D spending of the ten leading ICT companies totaled US\$26.639 billion in the first nine months of 2009, 12.27% lower than in the same period of 2008, due to the poor economy leading to cutting down of expenses.

Very few companies have annual revenues of US\$9.5 billion, let alone allocate such an amount to R&D, but that is the R&D figure that Microsoft announced at the CeBIT Global Conference in Hannover, Germany in March 2010. Microsoft has traditionally reserved a constantly increasing budget for R&D year after year, even during the recession, and 2010 is no exception. The US\$9.5 billion is only a part of Microsoft's overall evolution strategy, which revolves around a three-pillar vision involving three screens (mobile, PC and TV), the cloud, and on-premises solutions.

After completing its long-delayed acquisition of Sun Microsystems, Oracle announced in January 2010 that it would boost its R&D spending by US\$1.5 billion to US\$4.3 billion in the 2011 fiscal year, which begins in June. This will reflect increased investment in Sun technologies, particularly in its main server platforms, in an effort to retain existing customers and increase its market share, as the database giant works to reinvent itself as a systems and software company. The R&D budget is almost equivalent to the combined research budgets of Oracle and Sun prior to the acquisition.

Policy and Regulatory Environment

President Obama announced in April 2009 a goal of allocating 3% of the country's GDP to scientific R&D. That would amount to about US\$420 billion, and would represent the largest commitment to scientific R&D in US

history. The US currently spends about 2.6% of its GDP on R&D, according to the most recent National Science Board figures, placing it second overall among G7 countries, just behind Japan.

The President also launched the Advanced Research Projects Agency-Energy, a new Department of Energy organization modeled after the Defense Advanced Research Projects Agency that led in development of the internet, stealth aircraft and other technological breakthroughs. The Energy Department and the National Science Foundation plans to offer programs and scholarships to encourage American students to pursue careers in science, engineering and businesses related to clean energy.

The President's US\$3.8 trillion budget for 2011, released in February 2010, highlighted several key IT initiatives that aim to advance the country's technology agenda. The budget places a strong emphasis on R&D, with funding for experimental projects at various federal agencies seeking to develop novel technologies in different areas.

The 2011 budget also contains modest proposals to modernize the Federal Government's computing systems, including a pilot program to test-drive cloud-computing initiatives as adoption of a cloud-computing model is a major part of the strategy to achieve efficient and effective IT. The administration outlined its plans to increase the use of social media throughout the Government, continue to consolidate the often-underused federal data centers, and boost security of government systems. In total, the administration is requesting US\$79.4 billion for federal IT expenditure, a 1.2% increase from the 2010 allocation of US\$78.4 billion.

Industry Profile

Canada



Industry Size and Value

Canada has been, and remains, a world leader in communications networks and technology, and its wireless phone industry, in particular, has made remarkable progress for an industry that is just two decades old. Canada's wireless carriers now offer coverage to more than 99% of the population, with 75% of households having access to a wireless phone.

As of February 2010, Canada had 23.1 million mobile phone subscribers, or 70% of the population, compared with 22.8 million in December 2009. Mobile phone shipment volumes were buoyed by the introduction of new wireless networks and network infrastructure upgrades offered by existing wireless network providers. This brought a positive response and led to an increase in demand for smartphones, particularly Apple iPhones and BlackBerries.

December 17, 2009 saw the official launch of Wind Mobile, adding much-needed competition to the Canadian wireless market. Wind opened its 3G network in Toronto, and planned expansion to Vancouver, Ottawa and Edmonton early in 2010. Bell (TSX: BCE), the largest telecoms company in Canada, launched the nation's fastest, largest wireless network on November 4, 2009, expanding its offering with a wider range of new HSPA smartphones and turbo sticks from the world's leading mobile device manufacturers. Telus (TSX: T) followed suit and launched its HSPA (3G+) network on November 5, 2009, expanded the network to residents in Kelowna, British Columbia, and now covers an additional 1.1 million square kilometers. The company will invest an estimated US\$650 million to upgrade its wire-line and wireless broadband services in Alberta in 2010.

Broadband internet access is viewed as essential infrastructure for participating in today's economy, as it enables citizens, businesses and institutions to access information, services and opportunities that could otherwise be out of reach. As part of Canada's Economic Action Plan, the Government allocated US\$225 million to Industry Canada over three years. The money will go to developing and implementing a strategy under the Broadband Canada Program to extend broadband coverage to as many unserved and underserved households as possible.

Sector Investment

On July 31, 2009, the Canadian Government launched the Ontario Emerging Technologies Fund (OETF), managed by the Ontario Capital Growth Corp (OCGC), an agency of the Ontario Ministry of Research and Innovation. OETF is a US\$250 million direct investment fund, which will spend a maximum of US\$50 million a year for five years to co-invest, with qualified investors, in innovative, high-growth, private Ontario companies. OETF will respond to the challenges of raising capital faced by innovative, private, Ontario-based companies in the clean technology, life sciences and advanced health technologies, and digital media and information and communications technology sectors.

Leading enterprise content management (ECM) vendor Open Text Corp announced on March 5, 2010, that it would invest C\$225 million (US\$219.63 million) in R&D in three key areas — green IT, mobile apps and high-performance systems — over the next five years. This will create 400 related jobs at its Waterloo, Ottawa and Richmond Hill locations, expanding the footprint of existing research centers there, with an additional building constructed at Waterloo. It is estimated that up to 350 of the 400 new jobs will be new posts, with the remainder being positions relocated to Ontario from other research centers as part of a centralization effort.

In tandem with this investment, the Economic Development and Trade Ministry will allocate an extra C\$33.75 million (US\$32.94 million) to Open Text's initiative as part of the province's Next Generation of Jobs Fund. The investment will anchor Open Text's operations in the province and further Ontario's reputation as a leader in digital media and IT. The additional injection of funds from the Provincial Government, about 15% of the overall investment, will give Open Text added flexibility by lowering the net cost of R&D over the next five years.

Research and Development

In 2009, Canada's ICT sector's R&D expenditure totaled US\$6.2 billion, an increase of 2.5% from the year before. Other than a minor decrease in 2007, ICT R&D expenditure has been growing constantly since 2002 and has risen by

Industry Profile - Canada

17.7% since then, while Canadian private sector R&D expenditure has risen by 19.2%.

Canada's Advanced Research and Innovation Network (CANARIE) on November 23, 2009, announced US\$2.4 million in R&D funding for four green IT projects aimed at reducing ICT's carbon footprint and measuring the impact of ICT and cyber-infrastructure on university electricity consumption. CANARIE's biggest green IT funding recipient is the GreenStar Network, an alliance of Canada's leading IT companies, universities and international partners, led by Quebec's École de technologie supérieure (ETS) in Montreal.

GreenStar Network received US\$2 million to develop the world's first internet network with network nodes powered entirely by wind and solar energy but providing the same reliability to users as current internet networks. The remaining US\$400,000 went to three smaller green IT projects, the first of which is the design of an ultra-efficient data center for high-performance computing applications. The second project will assess the business case and carbon-offset potential of Canadian universities using CANARIE's ultra high-speed network to run IT operations from remote, zero-carbon data center facilities. The third project is to study how carbon offsets can finance data center relocations, and how universities could implement this.

AMD announced on February 9, 2010, that it had signed a memorandum of understanding (MOU) with the Ontario Ministry of Economic Development and Trade, under which the Ministry will award a five-year grant of C\$56.4 million (US\$55.05 million) to AMD Canada under Ontario's Next Generation of Jobs Fund. The grant will fund R&D activities by AMD's Markham-based engineers in developing its upcoming AMD Fusion family of processors, related software infrastructure and integrated computing platforms. There will be an initial payment of C\$11.2 million (US\$10.93 million) to AMD upon signing the formal agreement, with periodic payments throughout the grant period.

In turn, AMD will commit to investing substantially in AMD Fusion processor-related R&D activities in Markham, and retain and create hundreds of high-value R&D jobs during the grant period. AMD also plans to increase collaborative activities with local universities. During the past five years, AMD has invested more than US\$1 billion in R&D activities in Canada.

This project also offers significant spillover benefits, creating safer and more secure supply chains that will help preserve resources that may otherwise be lost through accidents or theft. More efficient fleet management will result in fuel and insurance savings as well as reduced energy consumption and pollutant emissions. The technology developed could also have broader applications, such as enhanced wireless technology or the miniaturization of wireless communications products.

(Note: AMD Fusion is the brand name for the AMD family of accelerated processing units (APU), a new generation of computing technology that combines the traditional processing power of the CPU with the breakthrough computing power of the GPU. AMD's first APU is codenamed Llano, and systems based on this processor should be available in the first half of 2011.)

Policy and Regulatory Environment

Canada's business and IT community welcomed the removal of the Section 116 tax clearance process in the 2010 federal budget submitted on March 5, 2010. The eradication eliminates the need for thousands of investors in foreign venture capital funds to provide information to Revenue Canada to determine if they are subject to tax on any gains from the disposal of their shares. Statistics showed that, in most cases, investors were never taxable, and Section 116 caused unnecessary complications.

The removal of Section 116 sends a message to international investors that Canada is open for business, removing what were perceived to be insurmountable barriers for many venture capitalists, who considered previous administrative requirements and economic delays strong deterrents to investing in Canada. This change will also help attract new investment from emerging tech firms in Canada.

Market Trends & Outlook

United States



Double-Digit Growth for Smartphone Market

One area of the market that consistently showed growth throughout 2009 was smartphones. Mobile phone sales were down in the third quarter of 2009, but smartphone sales rose in the fourth quarter as the economy picked up, boosting consumer confidence and demand. Although vendors shipped 1.13 billion units on a cumulative worldwide basis in 2009, down 5.2% from the 1.19 billion shipped in 2008, the general recovery of the economy was clearly reflected in the final quarter figures when compared with those of previous quarters.

IDC estimates the worldwide mobile phone market grew by 11.3% in the fourth quarter of 2009, ending five consecutive quarters of decline. Vendors shipped 325.3 million phones in the fourth quarter compared with 292.4 million in the fourth quarter of 2008. Asia-Pacific and the US were primarily responsible for pushing the market back into growth territory. Vendors offered a wide array of converged mobile devices (smartphones) and messaging devices in the seasonally strong fourth quarter to take advantage of increased user demand.

Consumer tastes have increasingly shifted from simple voice telephony to greater data usage, and both handset vendors and carriers have been eager to meet demand despite ongoing economic challenges. The smartphone market grew by nearly 30% in 2009, and it is believed that the market will continue to gain momentum as device selection increases and price decreases continue into 2010 and beyond. The North American market finished 2009 relatively strong, posting the second-highest regional growth after Asia-Pacific (excluding Japan). Smartphones remained in high demand in the fourth quarter of 2009, due to a combination of lower priced devices and favorable rate plans.

ComScore, a leader in measuring the digital world, reported on March 11, 2010, that 42.7 million people in the US owned smartphones, up 18% compared with the August through October period, with text messaging being the most popular service, accounting for 63.5% of use. About 17% of smartphone users accessed social network sites, an increase of 3.5% from February 2010. BlackBerry is still the most popular device, used by 43% of smartphone owners in the US, followed by Apple's iPhone, with a market share of 25%. With Google releasing the Nexus

One and the current iPhone becoming more mainstream, smartphones are going to be the gadget to own in 2010. To meet demand, smartphones must have good integration functions and applications to allow users to access easily all of their social media networks such as Facebook, Twitter and MySpace.

Social Networking Goes Mobile

With mobile phones fast becoming powerful online devices, they are no longer merely communication devices to help people stay connected via voice calls, but have become the way people organize their lives, from managing finances, connecting with friends, purchasing products to social network sharing, and this trend will accelerate. People now realize that with mobile web technology they no longer have to wait for access to desktops or laptops with internet access to do their work or go online but can use their mobile devices, using desktops only to navigate longer format and higher bandwidth content.

Facebook surged to the leading position among social networks for the first time in May 2009, and continued its strong growth trajectory throughout the year, finishing with 112 million visitors in December 2009, up 105%. Twitter finished the year with nearly 20 million visitors, up from just two million visitors in 2008. Market research firm Mintel estimates 61% of US internet users had a profile on at least one social network service (SNS) in 2009, up from 41% a year earlier. There are currently 248 million unique monthly users on the top eight social networks in the US, an increase of 41% from January 2009. Marketing spend on SNS saw a huge increase of 166% from 2007 to US\$2.4 billion in 2009. This has resulted in huge changes and opportunities across the mobile phone and telecommunications industry.

A February 2010 study by Ruder Finn, one of the world's largest, independent public relations agencies, found that Americans are spending nearly three hours a day on their mobile phones. The study found that, apart from making phone calls, conducting business, managing finances, instant messaging and emailing, 91% of US mobile phone owners are using the mobile web to socialize, compared with 79% of desktop users logging into SNS. During the 2.7 hours a day that people in the US spending on the mobile

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web, 45% are posting comments on social networking sites, 43% are connecting with friends on social networking sites, 40% are sharing content with others, and 38% are sharing photos.

The popularity of such SNS indirectly leads to a rise in mobile phone sales, especially of smartphones, as more people are buying smartphones for their multitasking functionality, be it surfing the web on the go, updating their Facebook or Twitter status, uploading pictures or playing FarmVille or FishVille on Facebook applications. Online social networking has evolved into a do-anywhere trend that people can do whenever there is free time, instead of an activity that requires people to make time for it.

The Focus Shifts to Green Technology

With the growing warning signs about global warming, many organizations are researching ways of implementing green technology so that they can contribute to helping the environment, while reducing the cost of operations. Green technology, also called environmental or clean technology, is technology that is directed toward preserving the environment and natural resources to ensure sustainable development. It minimizes elements that cause harm to the surroundings, and includes innovative and efficient ways to produce energy, recycle products, and build structures.

HP reports that data centers and computers use more than 1% of the world's electricity, and HP estimates that business technology uses more than 415 million tons of coal a year, which results in 864 million tons of CO₂ emissions. ICT products cost US\$3.3 billion every year in wasted electricity, which is environmentally damaging, hence the need for green IT is becoming more urgent.

Not only the US, but European and Asian countries are taking green IT seriously, green technologies in their respective industries. In 2009, combined global revenue from solar photovoltaic (PV), wind power, and bio-fuels rose by 11.4% over 2008 to US\$139.1 billion. All three sectors saw an increase in total green technology deployment, with increased revenue from bio-fuels and wind power. Green technology investments and activities will receive US\$100 billion of the 2009 US\$787 billion US government stimulus package.

ICT giant IBM emphasized its commitment to creating greener, smarter buildings when it announced on February 23, 2010, that it would team up with partners and customers to venture into the next phase of its Smarter

Planet initiative — Smarter Buildings. The goal is to help buildings, manufacturing plants, and other facilities consume less energy and water, and make them easier to operate. One of IBM's new partnerships is with Johnson Controls, a manufacturer of products that optimize energy use in buildings. The two companies plan to combine Johnson's energy-efficient technologies with IBM's Tivoli software to offer customers a way to monitor and manage power use, which IBM believes will cut costs. Specifically, building owners will be able to detect wasteful energy use, calculate greenhouse gas levels, and better manage the space in their buildings.

IBM has gained a major customer, the Tennessee Valley Authority (TVA), one of the largest power companies in the US, which generates electricity through 29 hydroelectric dams, 11 coal-fired plants, 11 combustion-turbine sites, three nuclear plants, a pumped-storage hydropower plant, and 18 green-power sites that use a combination of wind turbines, methane gas, and solar panels. IBM's work for the TVA will be the largest enterprise asset-management project set up by any US utility company. By using IBM's Maximo Asset Management software, including Maximo for Nuclear Energy, TVA can monitor and manage the different power source assets throughout its plants, including fossil fuel, hydro, nuclear, and wind. The Maximo software integrates supply chain and other business processes to help customers manage all their assets under one roof. Maximo will replace TVA's older maintenance and supply-chain software and other legacy applications.

Market Outlook

In 2009, the US ICT market contracted due to the poor economy. However, as the year ended, ICT demand increased, while year-on-year declines progressively decreased. When the recession hit in late 2008, semiconductor manufacturers cut production drastically to avoid overstocking their inventories. As a result, there was no excess inventory to be cleared when demand picked up in late in 2009, which led to stronger pricing due to the shortage. SIA attributed the better-than-expected performance to wiser inventory management than in previous downturns, new product launches, and strength in the consumer and PC markets toward the end of the year.

The primary driver for semiconductor sales in 2010 will be smartphones, which are expected to generate US\$17 billion in revenue and 52 million in unit shipments, due to the increasing number of smartphone users wanting access

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to mobile internet. To avoid losing out to competitors, developers and designers will have to take smartphone applications more seriously, as the number of people owning smartphones is increasing exponentially. The release of Microsoft's Windows 7 is likely to act as a strong driver for enterprise chip sales, as businesses upgrade their PCs to the new operating system. Apart from processor vendors such as Intel and AMD, memory makers and touchscreen solution suppliers such as Synaptics (NASDAQ: SYNA) will likely benefit from the launch of the new operating system.

The ICT industry will see a trend of increasing demand for greater functionality in smaller and more powerful gadgets with greater integration within their chips in 2010. This will lead to increasing demand for the system-on-a-chip (SoC), a single device incorporating a microprocessor, digital signal processor or graphics core, as well as memory and logic.

The US Government's strong focus on energy efficiency will result in upgrades to the electricity grid, creating a window of opportunity for chip sales to this emerging market segment. There is likely to be a significant rise in domestic smart meter installations in response to the need to monitor electricity consumption reliably and accurately. Alternative energy is another area that will open up the market as demand for such semiconductor components increases.

Market Trends & Outlook

Canada



Smartphones and Mobile Broadband Takes Off

Smartphones are fast becoming a worldwide hit, with sales growing tremendously. Their potential is immense, with major wireless service providers offering them together with their mobile plans. Smartphones such as iPhones from Apple and RIM's BlackBerry allow consumers to surf the internet, play music, watch video, check email and take pictures. Both devices' operating systems allow users to install software to read e-books, play games and obtain stock trading information. Increasing iPhone demand also means more competition for BlackBerry maker RIM, which is also trying to increase product market share.

Apple sold 7.4 million devices in the July-September 2009 quarter, after it unveiled the faster iPhone 3GS in June. Sales figures surged by another 17.6% in the final quarter of 2009, double the amount of iPhones sold during the same period of 2008. Apple's introduction of the iPhone in China in the quarter partially boosted sales, and the global iPhone craze suggests that sales will continue to show similar rapid growth in Canada.

Canada is on the edge of a new revolution in mobile services. On the demand side, there is the growing interest, penetration and use of broadband services by mobile users. On the supply side, incumbent mobile carriers have been deploying their 3G networks, introducing new mobile phones and smartphones that provide faster and better mobile connectivity.

While smartphone penetration of the Canadian market was 20%, higher sales for the iPhone were expected, as demand for such devices was still in an early stage, with only Rogers Communications (TSX: RCI.B) offering first generation smartphones up to the end of 2009. The other three Canadian telecoms companies — Bell, Telus and Fido — hopped on to the iPhone bandwagon and started offering smartphones with their respective mobile service packages late in 2009.

The availability of 3G networks led to the introduction of the much-awaited iPhone in its new, enhanced 3G version in Canada, followed by the Samsung Instinct and the BlackBerry Bold, with the BlackBerry Storm and other handsets waiting to make their appearance. These

powerhouse devices form the front line in the battle for the mobile internet, enabling consumers and businesses to experiment with on-demand mobile broadband.

Mobile PC Sales Rise as Economy Recovers

In 2009, the US imported US\$26.9 billion worth of notebooks and netbooks from 80 manufacturing nations from around the world. This was a 2.5% decline from the US\$27.6 billion in small imported portable computing devices that the US bought in 2008. Canada, on the other hand, imported US\$2.5 billion worth of notebooks and netbooks from 78 supplying nations in 2009. Clearly, these small imported portable devices mean big business for mobile users on the go.

Worldwide shipments of notebooks first surpassed those of desktop PCs, 38.6 million notebook units to 38.5 million PCs, in the third quarter of 2008. China and Malaysia accounted for 92.6% of small portable computers imported by Canada in 2009. Canada shipped US\$38.9 million worth of portable computers to the US in 2009, while the US shipped US\$83.5 million worth of notebooks and netbooks across the Canadian border, giving the US a US\$44.6 million trade balance in this fast-growing and important category.

Ultra-Portable Notebooks Gaining Market Share

The popularity of netbooks helped computer makers shore up their sales through the recession but, as the market recovers, another category of laptops — the ultra portable tablet — might affect sales of netbooks.

When Asus first unveiled its Eee PC, a lightweight mini-laptop that had a seven-inch screen and cost less than US\$300, the highlight for the product was its low-price and light and easy-to-carry design, which attracted huge interest from those wanting to do emailing, web browsing and working on documents on the go. As the Eee PC's popularity increased, PC manufacturers such as Acer, Lenovo, HP and Dell released their own netbooks, increasing competition and altering configurations and specifications to allow for larger screens and hard drive capacity.

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Sales boomed, and Canadian retail stores sold more than 394,000 netbooks in 2009, according to the NPD Group. That figure, a triple-digit increase from 2008, represented 17% of the entire Canadian personal computer market last year. However, there was a slight dip of 2% in netbook sales in the fourth quarter of 2009, traditionally a big sales period for personal computers.

The dip in netbook sales did not affect overall computer sales in the fourth quarter of 2009, as traditional notebooks continued to grow in popularity and drive market penetration. One reason for the slowing growth of netbook sales was that the much more powerful and versatile thin-and-light notebooks, formerly classed as high-end machines, started selling to mainstream consumers for lower prices. Prices of typical netbooks' bigger sibling, the ultra-portable notebook, which retailed for about US\$2,000 in the second quarter of 2009, plummeted to an average US\$874 toward the end of the year, making it more desirable and affordable for consumers.

Ultra-portable notebooks usually come with 12 or 13-inch screens, and have more impressive hardware, such as powerful Intel Core 2 Duo processors, instead of the slower Atom processor designed for netbooks. Ultra-portable notebooks have higher random access memory (RAM) and hard drive storage, together with graphic/video cards capable of rendering high-resolution video footage or games.

Another niche mobile PC product from Apple, the iPad tablet device launched in March 2010, will be available in the US and Canada in the second quarter of 2010. Apart from the WiFi-only versions of the iPad, another version that includes cellular 3G connectivity will also be available soon, but Apple has yet to announce a Canadian carrier for the iPad's 3G cellular signals. With prices ranging from US\$499 to US\$829, the iPad sits comfortably within the affordable price bracket for most consumers, as statistics show that more people are opting for ultra-portable notebooks within the US\$1,000 range.

(The iPad is about the size of a hardcover book, half an inch thick and with a 9.7-inch multi-touch screen, similar to the iPod Touch and iPhone. The device can surf the web using its Safari browser, send emails via an on-screen QWERTY keypad, play music, videos and games, and display e-books. The tablet can run all iPhone apps and boasts up to ten hours of video battery life.)

Market Outlook

Although many people postponed spending on everything, including ICT, in 2009, ICT in Canada is still seen as essential infrastructure. ICT spending could not be postponed for long, as companies realized it would cost more not to spend on ICT than it would to start investing again. Strategic reorganization through better use of ICT during the recession proved that it could both save money and create improved business models for when business improved. In the ICT industry, many firms maintained or even increased their profits during the recession by altering business models to exploit opportunities during the hard times.

Canada's future as an ICT powerhouse will depend largely on the development of high-speed networks to facilitate and cater for emerging mobile technologies. Analysts have called on the Canadian Government to accelerate investment in next-generation networks by amending tax policies to stimulate investments on a geographically and technologically neutral basis, and by removing regulatory roadblocks to capital investments. They say that the Federal Government should also put greater emphasis on promoting technology as a career to Canada's youth, and should allocate more funds for programs that encourage e-business adoption by SMEs and by foreign businesses looking to move into the country.

Currency Conversion Table

Currency exchange rates as at March 29, 2010

Currency Unit	Units per US\$	US\$ per Unit
United States Dollar (US\$)	1	1
Canadian Dollar (C\$)	1.02448	0.9761

Source: Federal Reserve Bank of New York

The Scope Of This Report

This report looks at the IT and high-tech industries in the US and Canada, focusing on the IT services, computer equipment, software and semiconductor industries. The report aims to give a general picture of the current environment, industry profiles and market trends using available data and examining key public companies. Key financial results for leading companies in each country are presented in the comparative data tables.

Research analysts draw on a range of credible industry and company data sources as well as news and information services to research and analyze the current trading environment, industry landscape and market trends and outlook for a particular sector. Primary sources are used, unless otherwise indicated, which include company data, e.g. annual reports and company financial results; macroeconomic and trade data; data and information from global and country regulatory, industry and trade bodies; government data; and reports from industry organizations and private research organizations.

Industries covered by the industry reports are defined by standard industry classification systems and leading companies are identified on this basis. SIC codes relevant for the above industry segments are: 3571, 3572, 3575, 5045 (Computer Hardware & Equipment); 7371, 7373, 7374, 7375, 7376, 7377, 7378, 7379 (IT Services); 3674 (Semiconductors) and; 7372 (Software).

Key References

Global

World Semiconductor Trade Statistics (WSTS)

WSTS is an independent non-profit organization representing around 90% of the world's semiconductor industry. It also collects data and publishes forecasts on semiconductor trade.

<http://www.wsts.org>

World Information Technology Services Alliance (WITSA)

WITSA is a consortium of information industry, software and IT associations around the world. The alliance also carries research and forecasts on the IT industry globally.

United States

Information Technology Association of America (ITAA)

A trade association representing the broad spectrum of the US IT industry; the ITAA also provides information about the IT industry.

<http://www.itaa.org>

Semiconductor Equipment and Materials International (SEMI)

Founded in 1970, Semiconductor Equipment and Materials International (SEMI) is an international trade association representing more than 2,300 member companies that develop, manufacture and supply the technology, equipment, materials and services used to manufacture semiconductors, photovoltaic, and flat panel displays.

<http://www.semi.org/>

Semiconductor Industry Association (SIA)

The SIA represents the US semiconductor industry. It also conducts research and publishes statistics and forecasts.

<http://www.sia-online.org>

US Department of Commerce (DoC)

The department coordinates US government commerce policy. Encompassing a number of key government agencies, it also provides business products, services, information and resources.

<http://www.commerce.gov>

Canada

Canadian Advanced Technology Alliance (CATA)

CATA is an entrepreneurial technology alliance that focuses on growing members' business and global competitiveness through the pursuit of innovation and strategic partnerships. The alliance claims that 80% of their members are active exporters.

<http://www.cata.ca/>

Canadian Venture Capital and Private Equity Association (CVCA)

CVCA represents more than 1,000 private equity companies in Canada, with more than C\$50 billion (US\$48.81 billion) in capital under management.

<http://www.cvca.ca>

Industry Canada

A government department that promotes industry and a fair, efficient and competitive marketplace.
<http://www.ic.gc.ca>

Information and Communications Technology Council (ICTC)

ICTC is a non-profit council for IT professionals in Canada.
<http://www.ictc-ctic.ca>

Information Technology Association of Canada (ITAC)

A trade association representing the information and communications technology industry in Canada.
<http://www.itac.ca>

Statistics Canada

Canada's national statistical agency that deals with social and economic statistics and products.
<http://www.statcan.ca>

Company	Country	Ticker	Exchange	Primary SIC	Other SICs				
Hewlett-Packard Co	United States	HPQ	NYSE	3571	3572	7378	3577	3575	7372
International Business Machines	United States	IBM	NYSE	3571	3579	3577	7372		
Dell Inc	United States	DELL	NASDAQ	3571	3577				
Microsoft Corporation	United States	MSFT	NASDAQ	7372	3577	7379			
Intel Corp	United States	INTC	NASDAQ	3674	3669				
Apple Inc	United States	AAPL	NASDAQ	3571	7372	3572	3575	3577	
Cisco Systems Inc	United States	CSCO	NASDAQ	3669	4899	7379	5065		
Ingram Micro Inc	United States	IM	NYSE	5045	4225				
Tech Data Corp	United States	TECD	NASDAQ	5045					

Company	Total Revenue - FYE - 1	Total Revenue - FYE - 2	Total Revenue - FYE - 3	EBITDA - FYE - 1	EBITDA - FYE - 2	EBITDA - FYE - 3
Hewlett-Packard Co	\$114,552,000,000	\$118,364,000,000	\$104,286,000,000	\$14,186,000,000	\$13,829,000,000	\$11,882,000,000
International Business Machines	\$103,630,000,000	\$98,785,000,000	\$91,423,000,000	\$22,495,000,000	\$19,736,000,000	\$18,041,000,000
Dell Inc	\$61,101,000,000	\$61,133,000,000	\$57,420,000,000	\$4,186,000,000	\$4,479,000,000	\$3,861,000,000
Microsoft Corporation	\$58,437,000,000	\$60,420,000,000	\$51,122,000,000	\$21,521,000,000	\$25,870,000,000	\$21,541,000,000
Intel Corp	\$37,586,000,000	\$38,334,000,000	\$35,382,000,000	\$11,814,000,000	\$13,171,000,000	\$10,778,000,000
Apple Inc	\$36,537,000,000	\$32,479,000,000	\$24,006,000,000	\$8,280,000,000	\$6,715,000,000	\$4,678,000,000
Cisco Systems Inc	\$36,117,000,000	\$39,540,000,000	\$34,922,000,000	\$7,727,000,000	\$11,175,000,000	\$10,159,000,000
Ingram Micro Inc	\$34,362,152,000	\$35,047,089,000	\$31,357,477,000	-\$267,523,000	\$504,705,000	\$474,145,000
Tech Data Corp	\$24,080,484,000	\$23,423,078,000	\$21,440,445,000	\$260,520,000	\$239,010,000	\$36,603,000

Company	Net Income - FYE - 1	Net Income - FYE - 2	Net Income - FYE - 3	EPS - FYE - 1	EPS - FYE - 2	EPS - FYE - 3
Hewlett-Packard Co	\$7,660,000,000	\$8,329,000,000	\$7,264,000,000	\$3.21	\$3.35	\$2.76
International Business Machines	\$12,334,000,000	\$10,418,000,000	\$9,492,000,000	\$9.07	\$7.32	\$6.20
Dell Inc	\$2,478,000,000	\$2,947,000,000	\$2,583,000,000	\$1.25	\$1.33	\$1.15
Microsoft Corporation	\$14,569,000,000	\$17,681,000,000	\$14,065,000,000	\$1.63	\$1.90	\$1.44
Intel Corp	\$5,292,000,000	\$6,976,000,000	\$5,044,000,000	\$0.93	\$1.20	\$0.87
Apple Inc	\$5,704,000,000	\$4,834,000,000	\$3,496,000,000	\$6.29	\$5.48	\$4.04
Cisco Systems Inc	\$6,134,000,000	\$8,052,000,000	\$7,333,000,000	\$1.05	\$1.35	\$1.21
Ingram Micro Inc	-\$394,921,000	\$275,908,000	\$265,766,000	-\$2.37	\$1.61	\$1.61
Tech Data Corp	\$123,626,000	\$108,269,000	-\$96,981,000	\$2.41	\$1.97	-\$1.76

Company	Total Current Assets - FYE - 1	Total Current Assets - FYE - 2	Total Current Assets - FYE - 3	Long-Term Debt - FYE - 1	Long-Term Debt - FYE - 2	Long-Term Debt - FYE - 3
Hewlett-Packard Co	\$52,539,000,000	\$51,728,000,000	\$47,402,000,000	\$13,980,000,000	\$7,676,000,000	\$4,997,000,000
International Business Machines	\$49,003,000,000	\$53,177,000,000	\$44,659,000,000	\$22,688,000,000	\$23,039,000,000	\$13,780,000,000
Dell Inc	\$20,151,000,000	\$19,880,000,000	\$19,939,000,000	\$1,898,000,000	\$362,000,000	\$569,000,000
Microsoft Corporation	\$49,280,000,000	\$43,242,000,000	\$40,168,000,000	\$3,746,000,000	N/A	N/A
Intel Corp	\$19,871,000,000	\$23,885,000,000	\$18,280,000,000	\$1,886,000,000	\$1,980,000,000	\$1,848,000,000
Apple Inc	\$36,265,000,000	\$32,311,000,000	\$21,956,000,000	N/A	N/A	N/A
Cisco Systems Inc	\$44,177,000,000	\$35,699,000,000	\$31,574,000,000	\$10,295,000,000	\$6,393,000,000	\$6,408,000,000
Ingram Micro Inc	\$6,674,837,000	\$7,920,667,000	\$6,746,073,000	\$356,664,000	\$387,500,000	\$270,714,000
Tech Data Corp	\$4,771,797,000	\$4,922,982,000	\$4,407,852,000	\$360,785,000	\$363,639,000	\$363,604,000

Company	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)	Date FYE - 1	Date FYE - 2	Date FYE - 3
Hewlett-Packard Co	19.28	N/A	31-Oct-2009	31-Oct-2008	31-Oct-2007
International Business Machines	91.60	11.90	31-Dec-2008	31-Dec-2007	31-Dec-2006
Dell Inc	58.02	4.06	30-Jan-2009	1-Feb-2008	2-Feb-2007
Microsoft Corporation	38.42	N/A	30-Jun-2009	30-Jun-2008	30-Jun-2007
Intel Corp	13.54	14.08	27-Dec-2008	29-Dec-2007	30-Dec-2006
Apple Inc	23.41	N/A	26-Sep-2009	27-Sep-2008	29-Sep-2007
Cisco Systems Inc	16.85	N/A	25-Jul-2009	26-Jul-2008	28-Jul-2007
Ingram Micro Inc	-14.87	-1.15	3-Jan-2009	29-Dec-2007	30-Dec-2006
Tech Data Corp	7.19	0.51	31-Jan-2009	31-Jan-2008	31-Jan-2007

Notes to Comparative Data

- All figures are in United States dollars.
- All figures are as reported by the company.

Definitions

- Total Revenue = All revenues, including net sales, operating revenues, interest income, royalties, excise taxes etc.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- EPS Cont Operations = Earnings Per Share as reported by company excluding extraordinary items.
- Total Current Assets = All assets expected to be realized within the next year, includes cash, accounts receivable and inventories.

- N/A = Data Not Available.
- N/L = Not Listed.
- Companies ranked by total revenue for the full year most recently reported.

- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.

Company	Country	Ticker	Exchange	Primary SIC	Other SICs				
Research in Motion Ltd	Canada	RIMM	NASDAQ	3661	4813	4899	3669		
Celestica Inc	Canada	CLS	NYSE	3672	3679				
CGI Group Inc	Canada	GIB.A	TSX	8742	7379				
Softchoice Corp	Canada	SO	TSX	5045					
MacDonald Dettwiler & Associates	Canada	MDA	TSX	7375	8748				
Open Text Corp	Canada	OTEX	NASDAQ	7373	7371	7379			
Constellation Software Inc	Canada	CSU	TSX	7372					
Zarlink Semiconductor Inc	Canada	ZL	TSX	3674	3661				
SMTC Corp	Canada	SMX	TSX	3672	3678	3679			
Gennum Corp	Canada	GND	TSX	3674	3679				

Company	Total Revenue - FYE - 1	Total Revenue - FYE - 2	Total Revenue - FYE - 3	EBITDA - FYE - 1	EBITDA - FYE - 2	EBITDA - FYE - 3
Research in Motion Ltd	\$11,065,186,000	\$6,009,395,000	\$3,037,103,000	\$3,128,259,000	\$1,987,886,000	\$985,300,000
Celestica Inc	\$7,678,200,000	\$8,070,400,000	\$8,811,700,000	-\$563,800,000	\$189,100,000	\$60,700,000
CGI Group Inc	\$3,560,930,034	\$3,540,566,926	\$3,614,866,789	N/A	\$585,910,968	\$577,257,404
Softchoice Corp	\$1,244,295,000	\$777,082,000	\$703,237,000	-\$7,731,000	\$43,459,000	\$30,546,000
MacDonald Dettwiler & Associates	\$952,085,103	\$1,227,687,017	\$903,981,792	\$112,114,690	\$185,864,898	\$146,609,980
Open Text Corp	\$785,665,000	\$725,532,000	\$595,664,000	N/A	\$184,867,000	\$128,111,000
Constellation Software Inc	\$330,532,000	\$243,023,000	\$210,759,000	\$64,382,000	\$40,041,000	\$19,661,000
Zarlink Semiconductor Inc	\$227,200,000	\$183,600,000	\$142,600,000	-\$14,800,000	-\$37,300,000	\$12,500,000
SMTC Corp	\$242,634,000	\$256,408,000	\$262,782,000	\$443,000	\$11,909,000	\$17,709,000
Gennum Corp	\$102,692,076	\$102,349,768	\$118,759,377	\$31,142,129	\$38,375,635	\$53,628,812

Company	Net Income - FYE - 1	Net Income - FYE - 2	Net Income - FYE - 3	EPS - FYE - 1	EPS - FYE - 2	EPS - FYE - 3
Research in Motion Ltd	\$1,892,616,000	\$1,293,867,000	\$631,572,000	\$3.35	\$2.31	\$1.14
Celestica Inc	-\$720,500,000	-\$13,700,000	-\$150,600,000	-\$3.14	-\$0.06	-\$0.66
CGI Group Inc	\$294,605,452	\$280,057,159	\$236,048,207		\$0.88	\$0.72
Softchoice Corp	-\$14,388,000	\$21,997,000	\$15,930,000	-\$0.82	\$1.27	\$0.93
MacDonald Dettwiler & Associates	\$39,509,595	\$96,816,125	\$71,799,364	\$0.98	\$2.34	\$1.75
Open Text Corp	\$56,938,000	\$53,006,000	\$21,660,000	\$1.07	\$1.04	\$0.44
Constellation Software Inc	\$14,994,000	\$11,110,000	-\$1,236,000	\$0.71	\$0.53	-\$0.06
Zarlink Semiconductor Inc	-\$29,600,000	-\$48,400,000	\$15,800,000	-\$0.25	-\$0.41	\$0.11
SMTC Corp	-\$5,895,000	\$2,672,000	\$10,461,000	-\$0.40	\$0.18	\$0.71
Gennum Corp	\$21,843,266	-\$4,393,052	\$19,707,998	\$0.61	-\$0.12	\$0.55

Company	Total Current Assets - FYE - 1	Total Current Assets - FYE - 2	Total Current Assets - FYE - 3	Long-Term Debt - FYE - 1	Long-Term Debt - FYE - 2	Long-Term Debt - FYE - 3
Research in Motion Ltd	\$4,841,586,000	\$3,477,354,000	\$1,919,265,000	N/A	\$7,259,000	\$6,342,000
Celestica Inc	\$3,171,800,000	\$2,999,600,000	\$3,120,800,000	\$732,100,000	\$758,300,000	\$750,200,000
CGI Group Inc	\$1,074,141,683	\$849,172,264	\$866,554,411	\$247,093,008	\$277,231,098	\$465,821,563
Softchoice Corp	\$268,636,000	\$232,196,000	\$165,921,000	\$13,717,000	\$21,897,000	N/A
MacDonald Dettwiler & Associates	\$236,934,538	\$274,024,692	\$221,326,119	\$393,381,617	\$424,522,094	\$318,128,489
Open Text Corp	\$434,910,000	\$430,074,000	\$350,436,000	\$299,234,000	\$304,301,000	\$366,765,000
Constellation Software Inc	\$132,841,000	\$90,463,000	\$83,203,000	N/A	N/A	N/A
Zarlink Semiconductor Inc	\$119,400,000	\$134,700,000	\$179,700,000	\$57,200,000	\$77,400,000	\$0
SMTC Corp	\$69,297,000	\$70,659,000	\$89,291,000	\$17,530,000	\$19,157,000	\$20,163,000
Gennum Corp	\$85,466,684	\$103,256,319	\$132,214,238	N/A	N/A	N/A

Company	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)	Date FYE - 1	Date FYE - 2	Date FYE - 3
Research in Motion Ltd	32.22	17.10	28-Feb-2009	1-Mar-2008	3-Mar-2007
Celestica Inc	-52.76	-9.38	31-Dec-2008	31-Dec-2007	31-Dec-2006
CGI Group Inc	14.81	N/A	30-Sep-2009	30-Sep-2008	30-Sep-2007
Softchoice Corp	-21.34	-1.16	31-Dec-2008	31-Dec-2007	31-Dec-2006
MacDonald Dettwiler & Associates	9.15	4.15	31-Dec-2008	31-Dec-2007	31-Dec-2006
Open Text Corp	8.61	N/A	30-Jun-2009	30-Jun-2008	30-Jun-2007
Constellation Software Inc	15.72	4.54	31-Dec-2008	31-Dec-2007	31-Dec-2006
Zarlink Semiconductor Inc	-36.45	-13.03	27-Mar-2009	28-Mar-2008	30-Mar-2007
SMTC Corp	-27.66	-2.43	4-Jan-2009	31-Dec-2007	31-Dec-2006
Gennum Corp	20.77	21.27	30-Nov-2008	30-Nov-2007	30-Nov-2006

Notes to Comparative Data

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Definitions

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- Companies ranked by total revenue for the full year most recently reported.

- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.



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